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FM AMEMBASSY PORT LOUIS
TO RUEHC/SECSTATE WASHDC 4240
INFO RHEHAAA/WHITE HOUSE WASHINGTON DC PRIORITY

UNCLAS PORT LOUIS 000365

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AF/E FOR MARIA BEYZEROV

E.O. 12958: N/A
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SUBJECT: OCTOBER 2 LETTER TO PRESIDENT GEORGE W. BUSH FROM
SEYCHELLES' PRESIDENT JAMES A. MICHEL

1. (SBU) On October 20, Post received an original signed letter and official diplomatic note -- postmarked and dated on October 14 -- from President James A. Michel addressed to President George W. Bush. The letter is a Government of Seychelles request for USG assistance during the early stage of their economic reform program as endorsed by the International Monetary Fund. On October 20, Post sent the official signed documents via diplomatic pouch to AF/E Seychelles Desk Officer, Maria Beyzerov. Post also forwarded scanned copies to AF/E via email.

2. (SBU) Following is the full text of President James A. Michel's letter in original form. Begin text:

2nd October 2008

H.E. Mr. George W. Bush
President of the United States of America
The White House
Washington D.C.
USA

Dear Mr. President

The Republic of Seychelles has recently approached the International Monetary Fund for endorsement of a wide-reaching reform programme which is set to restructure our country's economy.

My country is currently facing many major economic challenges characterized by balance of payment shortfalls and a heavy debt burden. The pressure from these challenges has been exacerbated by rising fuel and commodity prices as well as shocks in the international financial system.

The programme under discussion will essentially address the following areas:

- Complete debt restructuring through Paris Club negotiations
- Floating of our national currency
- Tightened monetary policy to control liquidity while also ensuring that savings and investment are incentivised
- A more efficient Government through further downsizing
- Further improvement in fiscal control both through increased revenue and curbing public expenditure

As we implement these reforms, we are mindful of maintaining our country's social cohesion. We must ensure that the more vulnerable segments of our society are protected through the establishment of an appropriate sustainable safety net.

Seychelles has achieved a lot with the help of its partners, notably the United States. We have graduated to the status of 'middle-income country' thanks to our high ranking in terms of our Human Development Index (HDI) and we are also well on track towards achieving our Millennium Development Goals.

Our relatively high ranking in terms of our HDI however does mean however that we are not among the countries eligible for direct

development assistance.

As we enter into these reforms, we are thus appealing to the United States of America to consider a special grant to assist us at the start of these reforms. This grant will allow us to have the necessary cushion to take us through the difficulties of implementation at the early stage. We are also open to discussion on any other means of support that you would consider appropriate.

We are encouraged that the IMF has placed social stability as one of the core principles in the initial discussions we have had with them. However, the very nature of the type of programme to be implemented will mean that my Government will have fewer resources to invest directly in crucial areas that have been the key to our success in the past. The reform of our currency will also place pressures for possible investment flight, thus the need to establish a reserves cushion to ensure currency stability.

We know that reforms are necessary, and we want to implement these reforms in such a way that everyone benefits and that our achievements are not put at risk- and we are asking for your support to be able to achieve this.

The Republic of Seychelles stands on the cusp of a transformation that can truly allow our country's economy to take off, and we look forward to your continued support for the steps that lie ahead.

Please accept, your Excellency, the assurances of my highest consideration.

Signed
James A. Michel

End of text.

13. (SBU) Post stands ready to assist in delivery and/or creation of response as appropriate.

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